



*See*



# Harvey's Foods Limited

## and Subsidiary Companies

### HARVEY'S FOODS LIMITED

238 Bloor Street West, Toronto, Canada

### DIVISIONS AND SUBSIDIARIES

Swiss Chalet Bar-B-Q, Inc., Buffalo, New York

Richco Properties Inc., Buffalo, New York

Chalet Farms Limited, Port Perry, Ontario

Harvey's Drive-In (Bloor Street), Toronto, Ontario

Harvey's Drive-In (Main Street), Buffalo, New York

Swiss Chalet Bar-B-Q (Bloor Street), Toronto, Ontario

Swiss Chalet Bar-B-Q (Main Street), Buffalo, New York

### UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS

for the 9 months ended Dec. 31, 1968

# Harvey's Foods Limited and Subsidiary Companies

## TO THE SHAREHOLDERS:

On behalf of the Board of Directors, I am pleased to present the Consolidated Statement of Earnings of your Company for the nine months ended December 31, 1968.

Net earnings increased 42% from \$560,920. to \$798,704. Earnings per share increased by 21% even though the outstanding common shares increased by 18% from 861,804 to 1,018,529.

It must be noted that the earnings per share do not reflect the three for one split of common stock which was approved on January 10, 1969. The purchase of the Wille's chain of 11 restaurants in Western Germany will be closed on February 12, 1969. These restaurants are presently located in eight cities near Munich. Miss J. Steinmeister, the Assistant-Treasurer of your Company has been transferred to Munich and has been placed in charge of the German operations.

GEORGE B. SUKORNYK, Q.C.  
*President*

## UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS for the nine months ended December 31, 1968

	1968 \$	1967 \$
GROSS INCOME	<u>\$4,507,284</u>	<u>\$3,622,594</u>
EARNINGS	<u>2,229,803</u>	<u>1,806,756</u>
before charging the following:		
Provision for losses on collection and termination of franchise agreements (Note 1)	41,719	282,457
Depreciation	278,929	180,361
Amortization of financing expenses	27,118	19,391
Interest	247,539	171,822
	<u>595,305</u>	<u>654,031</u>
NET EARNINGS BEFORE INCOME TAXES	<u>1,634,498</u>	<u>1,152,725</u>
PROVISION FOR INCOME TAXES		
Current	277,681	194,216
Deferred	558,113	397,589
	<u>835,794</u>	<u>591,805</u>
NET EARNINGS FOR THE PERIOD	<u>798,704</u>	<u>560,920</u>
Common shares outstanding at end of period	<u>1,018,529</u>	<u>861,804</u>
Earnings per share (based on number of shares outstanding at end of period)	<u>76¢</u>	<u>63¢</u>

Note (2)

## UNAUDITED CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS for the nine months ended December 31, 1968

	1968 \$	1967 \$
SOURCE OF FUNDS		
Net Earnings for the period	\$ 798,704	\$ 560,920
Add: Charges not requiring an outlay of funds —		
Depreciation and amortization	306,047	199,752
Deferred income taxes	558,113	397,589
Provision for losses on collection and termination of franchise agreement	41,719	282,457
	<u>1,704,583</u>	<u>1,440,718</u>
Proceeds from issue of preference and common shares	3,041,900	2,015,471
Proceeds from debentures	255,000	
Increase in long term liabilities — net	1,415,000	914,826
Value attributed to share purchase warrants issued	97,500	
Deferred income taxes — subsidiary company at date of acquisition		11,448
	<u>6,513,983</u>	<u>4,382,463</u>
USE OF FUNDS		
Additions to fixed assets — net	3,459,783	3,221,719
Increase in share and debt issue expense	17,680	71,601
Redemption of preference shares		41,700
Dividends	27,500	16,220
Increase in mortgages and notes receivable	794,258	838,116
Trade mark		120,000
Excess of cost of shares over book value of assets acquired of subsidiary companies	892,281	165,833
Expense of new issue	22,794	
	<u>5,214,296</u>	<u>4,475,189</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>1,299,687</u>	<u>( 92,726)</u>
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	( 388,170)	99,719
Increase (Decrease) in working capital	<u>1,299,687</u>	<u>( 92,726)</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>911,517</u>	<u>6,993</u>

**NOTE 1:** The 1968 provision has been calculated on the basis of 22.5% of the balance of notes receivable on franchises sold prior to March 31st, 1968 and 20% of the balance of notes receivable on franchises sold during the current period.

The 1967 provision was calculated on the basis of 30% of the balance of notes receivable on franchises sold during the period.

**NOTE 2:** The figures for the nine months ended December 31, 1967 have been amended to reflect adjustments made at the year end that applied directly to this period.